

## Message Text

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ACTION EB-11

INFO OCT-01 AF-10 EUR-25 ISO-00 XMB-07 TRSE-00 OMB-01 PA-04

PRS-01 USIA-15 CIAE-00 INR-11 NSAE-00 RSC-01 FRB-03

H-03 CIEP-03 CEA-02 SS-20 DRC-01 /119 W

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P 300903Z AUG 74

FM AMEMBASSY LIBREVILLE

TO SECSTATE WASHDC PRIORITY 5705

INFO AMEMBASSY ABIDJAN

AMEMBASSY PARIS

AMEMBASSY THE HAGUE

AMEMBASSY YAOUNDE

USDOC WASHDC PRIORITY

USMISSION EC BRUSSELS

C O N F I D E N T I A L LIBREVILLE 1076

E.O. 11652: GDS

TAGS: ETRN, BEXP, GB

SUBJ: TRANSGABON RAILROAD: GOG CONSOLIDATES 1ST AND 2ND LEGS

DEPT PASS EXIM

ABIDJAN FOR REDSO/WA

YAOUNDE FOR RDO

COMMERCE FOR STEPHEN M. CONGER

REF: STATE 187268 (NOTAL)

1. SUMMARY. PRESIDENT BONGO AUGUST 24 ON "TAKE IT OR  
LEAVE IT" BASIS OFFERED CONSORTIUM OF EUROPEAN FIRMS WHICH  
WON CIVIL ENGINEERING CONTRACT (LOT 3) FOR OWENDO-BOOUE  
LEG OWITRANSABON PROPOSITION TO CONSTRUCT BOTH FIRST  
AND SECOND LEG AT COMBINED TOTAL PRICE OF CFA 80 BILLION  
(APPROXIMATELY DOLS 332.5 MILLION). SOME CONSORTIUM  
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MEMBERS, MOSTLY FRENCH, SIGNED ON THE SPOT, WITH OTHERS

DEFERRING DECISION UNTIL AFTER MEETING IN PARIS SCHEDULED  
AUGUST 30. FURTHER PARTICIPATION OF FED IN TRANSGABON  
NOW IN QUESTION. COMMITTEE OF EXPERTS (MRCE) TO REVIEW  
LOT 6 (LOCOMOTIVES) MAY OR MAY NOT BE CONVENED TOWARD  
END OF SEPTEMBER. END SUMMARY.

2. GOG ANNOUNCED THAT PRESIDENT BONGO MET AUGUST 24 WITH  
17 MEMBERS OF CONSORTIUM WHICH HAS WON CONTRACT TO CONSTRUCT  
FIRST LEG OF TRANSGABON (ANNOUNCEMENT ALSO CARRIED AFP).  
OVER THE PAST FEW DAYS, CHARGE HAS MET WITH MASSON OF  
OCTRA, BRIZIO OF FED, AND FRG AMBASSADOR WALLNER IN  
ATTEMPT TO ASCERTAIN IMPLICATIONS OF DECISION. ONLY  
COMPANY REPS AND GABONESE OFFICIALS MET WITH BONGO  
AUGUST 24. FOREIGN EMBASSIES AND FED NOT INVITED.

3. FOLLOWING FIRMS MAKE UP WINNING CONSORTIUM:

SPIE BATIGNOLLES (FRANCE)  
STE.FR. DE DRAGAGES & T.P. (FRANCE)  
CAMPENON BERNARD (FRANCE)  
STE DES GRANDS TRAV. DE MARSEILLE (FRANCE)  
PHIL. HOLZMANN AG. (WEST GERMANY)  
IMPRESIT (ITALY)  
STIRLING-ASTALDI LTD (ITALY)  
SALINI COSTRUTTORI (ITALY)  
IMPREFER (FRANCE)  
C.Y.E.I. (BELGIUM)  
INTERBRETON (NETHERLANDS)  
ASTALDI - ESTERO (ITALY)  
E.C.F.A. (CONSTRUC. FRANCO-AFRIC) (FRANCE)  
STE FRANC. DE T.P. FOUGEROLLES (FRANCE)  
RAZEL FRERES (FRANCE)  
GRUN & BILFINGER A.G. (WEST GERMANY)

4. ONE OF MOST IMPORTANT ELEMENTS TO EMERGE FROM MEETING  
WAS BONGO'S PROPOSITION WHICH OFFERED ON "TAKE IT OR LEAVE  
IT" BASIS TO ASSEMBLED MEMBERS OF CONSORTIUM THAT  
THEY TAKE ON CIVIL ENGINEERING WORK FOR BOTH FIRST AND  
SECOND LEGS OF TRANSGABON (I.E. OWENDO-BOOUE; BOOUE-  
FRANCEVILLE) AT TOTAL COST OF CFA 80 BILLION (DOLS 332.5  
MILLION). GERMAN AMBASSADOR TOLD CHARGE HE HAD NO PRIOR  
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INDICATION THAT BONGO WOULD OFFER SUCH A PROPOSITION AND  
WAS TOLD BY GERMAN REPRESENTATIVE OF HOLZMANN THAT NON-  
FRENCH MEMBERS OF CONSORTIUM WERE SIMILARLY IN THE DARK  
PRIOR TO AUGUST 24. BONGO ALSO REPORTEDLY OFFERED FIRMS  
A NUMBER OF INDUCEMENTS FOR ACCEPTING LOW PRICE TAG,  
INCLUDING GABONESE (SIC) LABOR AND FULL CUSTOMS  
FACILITATION. FRG AMBASSADOR ALSO INFORMED BY HOLZMANN  
THAT A NUMBER OF CONSORTIUM MEMBERS MAY WITHDRAW BECAUSE

PRICE TAG "UNREALISTICLY LOW." OTHER NEW ELEMENT ANNOUNCED BY BONGO AT AUGUST 24 MEETING IS THAT GOG WILL NOW FINANCE ALL RPT ALL CIVIL ENGINEERING WORK FOR FIRST AND SECOND LEGS OF TRANSGABON. PREVIOUSLY COMMITTED DONORS WILL BE ASKED TO FINANCE EQUIPMENT ONLY.

5. FED CHIEF OF MISSION BRIZIO TOLD CHARGE FED MAY NOW WITHDRAW FROM FINANCING OF TRANSGABON. INASMUCH AS FED FINANCIAL PARTICIPATION CLEARED BY VERY SLIM MARGIN (EC BRUSSELS 3571) AND WAS FURTHERMORE BASED ON FEASIBILITY OF OWENDO-BELINGA ROUTE (I.E. FOR FUTURE EVACUATION OF IRON ORE), HE ALMOST CERTAIN SOME EEC MEMBERS, PARTICULARLY UK, WILL BALK AT SWITCH OF FOCUS TO OWENDO-FRANCEVILLE. AS LONG AS LEGS WERE KEPT SEPARATE, FED COULD SUPPORT OWENDO-BOUE LEG, BUT THIS IS NO LONGER JURIDICALLY POSSIBLE. BRIZIO HAS INFORMED FED OF AUGUST 24 HAPPENINGS AND IS NOW WAITING REACTION. HE ALSO VOICED PRIVATE OPINION THAT CONSORTIUM MEMBERS IN ACCEPTING CFA 80 BILLION PRICE TAG WERE EITHER FOOLS OR THIEVES. IN FINAL ANALYSIS OF COURSE, FED DECISION ON PARTICIPATION IS NOT CRUCIAL TO SUCCESS OF RAILROAD PROJECT BECAUSE MORE THAN AMPLE FINANCING IS AVAILABLE FROM OTHER SOURCES.

6. CHARGE MET WITH OCTRA DIRECTOR MASSON AUGUST 29. MASSON CONFIRMED GENERAL LINES OF BONGO PROPOSAL NOTED ABOVE (THAT IT ENCOMPASSED BOTH LEGS, HW CFA 80 BILLION PRICE TAG) PLUS FACT WORK WOULD BE COMPLETED WITHIN SIX YEARS. MASSON ALSO NOTED (A) GOG WILL FINANCE CIVIL ENGINEERING WORK STRICTLY FROM ITS OWN REVENUE AND DOES NOT INTEND TO USE ANY PRIVATE FINANCING, (B) FUNDS FROM PREVIOUS DONORS WILL BE USED EXCLUSIVELY FOR PURCHASE OF EQUIPMENT, AND (C) PLANNING FOR THIRD LEG OF TRANSGABON (BOOUE-BELINGA) STILL VERY MUCH IN THE FUTURE, BUT BONGO HAS MORE OR LESS PROMISED CONTRACT TO EUROPEAN CONSORTIUM (PARA 3 ABOVE). CHARGE QUESTIONED MASSON ON TIMING OF CONFIDENTIAL

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MRCE SESSION TO DECIDE ON LOT 6 (LOCOMOTIVES). MASSON SAID HE UNCERTAIN WHETHER ADDITIONAL MEETING NECESSARY. OF FOUR BIDS UNDER LOT 6, TWO HAD ALREADY BEEN REJECTED FOR "TECHNICAL REASONS" - YUNG (WEST GERMANY) AND GENERAL MOTORS (CANADA). THIS LEFT G.E. (USA) AND ALSTHOM (FRANCE). MASSON SAID THAT THE REPORTS SUBMITTED BY THESE TWO LATTER FIRMS WERE QUITE CLEAR AND THAT WITH THE ADDITION OF THE SOFRERAIL/TAMS EVALUATION OF THE FRENCH AND AMERICAN BIDS, A FAIR DECISION COULD BE REACHED WITHOUT FURTHER CONSULTATIONS. CHARGE REMARKED HE WAS INCLINED TO SEE THINGS DIFFERENTLY. PRECISELY BECAUSE COMPETITION REDUCED TO TWO BIDDERS, FINAL DECISION WOULD HAVE TO BE MADE ON BASIS OF RELATIVELY SMALL HIGHLY TECHNICAL DIFFERENCES IN WHICH CASE EXPERTS WOULD BE NEEDED AT LAST MINUTE TO ANSWER INEVITABLE QUESTIONS. MASSON SAID HE WOULD BE DISCUSSING MATTER WITH MINISTER OF STATE RAWIRI SOMETIME NEXT WEEK AFTER

THE SOFRERAIL/TAMS EVALUATION HAD BEENFULLY STUDIED. IN ANY EVENT, MRCE WOULD NOT BE CONVOKED PRIOR TO SEPT 20 AND HE WOULD PROVIDE US WITH EVERY POSSIBLE ADVANCE NOTICE.

7. COMMENT. BONGO'S DECISION TO LUMP TOGETHER FIRST AND SECOND LEGS OF TRANSGAGON IS CLEAR SETBACK FOR US IN THAT IT EFFECTIVELY ELIMINATES MORRISON-KNUDSEN FROM FURTHER CONSIDERATION FOR SECOND LEG. IT IS AT SAME TIME CLEARLY BENEFICIAL TO FRENCH WHOSE COMPANIES MAKE UP BULK OF CONSORTIUM AND WHO HAVE WON CONTRACT FOR SECOND LEG WITHOUT FACING FURTHER COMPETITION. FRENCH POSITION WILL BE EVEN STRONGER IF NON-FRENCH MEMBERS OF CONSORTIUM BACK OUT. THIS LEAVES US WITH G.E. BID ON LOCOMOTIVES. I AM SEEKING EARLIEST POSSIBLE MEETING WITH MINISTER OF STATE RAWIRI AND WILL MAKE TO HIM STRONG CASE THAT NOW IS NOT THE TIME TO DISPENSE WITH MRCE CONSULTATIONS ON LOCOMOTIVES. WILL ALSO STRESS EDSON'S QUALIFICATIONS (AS I HAVE ALREADY TO MASSON). IN EXPECTATION EDSON WILL BE CONVOKED, WOULD APPRECIATE DEPARTMENT POUCHING EMBASSY COPY OF GLOSSARY OF FRENCH TECHNICAL TERMS USED IN LOCOMOTIVE BIDDING (PARA 2 REFTEL). AFTER TALKS WITH RAWIRI AND FURTHER CONSULTATIONS WITH MASSON, WILL PROVIDE DEPARTMENT WITH UPDATED ESTIMATE ON EDSON ETA. FOR IMMEDIATE PLANNING PURPOSES ETA SHOULD BE SOMETIME BETWEEN SEPTEMBER 20 AND OCTOBER 1. IN VIEW OF BONGO'S NEW PROPOSAL, USG REP WILL NOT BE REQUIRED TO REVIEW PROPOSALS FOR BOOUE-FRANCEVILLE SECTION (PARA 6 REFTEL). IN ADDITIONAL ATTEMPT GET EDSON HERE FOR REVIEW, I INTEND IN CONFIDENTIAL

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NEXT FEW DAYS TO CONTACT GERMANS, FED AND JAPANESE (ITALIAN AMBASSADOR ON LEAVE), SUGGESTING THEY URGE OCTRA AND GOG NOT TO ABRIDGE MRCE ACTIVITIES AS THIS WOULD BE DETRIMENTAL TO THE INTEREST OF THEIR FIRMS BIDDING ON OTHER LOTS.

8. FOR THE HAGUE: REQUEST YOU PASS SUBSTANCE OF ABOVE AS IT APPLIES TO MORRISON-KNUDSEN TO JOSEPH MCKEE, MORRISON-KNUDSEN INTERNATIONAL, REPRESENTATIVE, 35 JOSEPH ISRAEL SPLEIN. COUNTRYMAN

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## Message Attributes

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